

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

**Lincoln Township**  
Midland County, Michigan

Financial Statements  
For the Year Ended March 31, 2005

**Lincoln Township  
Midland County, Michigan**

**For The Year Ended March 31, 2005**

Kevin Wray	Supervisor
Kimberly Oswald	Treasurer
Lorenz Hughes	Clerk
Sue Ensign	Trustee
Gary Briggs	Trustee

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN**

**Table of Contents**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1
 <b>GENERAL PURPOSE FINANCIAL STATEMENTS</b>	
Government-wide Statement of Net Assets (Exhibit 1) .....	2
Government-wide Statement of Activities (Exhibit 2) .....	3
Governmental Funds Balance Sheet (Exhibit 3).....	4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets (Exhibit 3.1) .....	5
Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds (Exhibit 4) .....	6
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Exhibit 4.1) .....	7
Statement of Net Assets Fiduciary Fund (Exhibit 5) .....	8
Notes to Financial Statements.....	9-16
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary Comparison Schedule General Fund (Exhibit 6) .....	17
 <b>COMBINING FUND FINANCIAL STATEMENTS</b>	
Combining Balance Sheet - Special Revenue Funds (Exhibit 7) .....	18
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances - Special Revenue Funds (Exhibit 8) .....	19

**Independent Auditors' Report**

To The Honorable Members of  
The Township Board of Trustees  
Lincoln Township  
Midland County, Michigan

We have audited the accompanying financial statements of Lincoln Township (the "Township"), Gladwin County, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

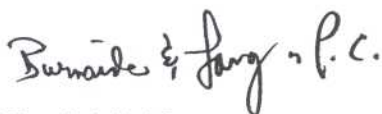
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lincoln Township, Midland County, Michigan, as of March 31, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No.34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of March 31, 2005.

The budgetary comparison information on page 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of the Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Midland, Michigan  
June 23, 2005

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2005**

**ASSETS**

Cash and cash equivalents	\$ 618,619
Taxes and assessments receivable - current	16,370
Due from other funds	820
Prepaid expenditures	20,368
Capital assets:	
Land	80,000
Buildings and improvements, net	195,000
Equipment, net	1,800
Vehicles, net	170,400
Total capital assets	<u>447,200</u>
<b>Total assets</b>	<b><u>1,103,377</u></b>

**LIABILITIES**

Accrued expenses	958
Long-term liabilities:	
Portion due or payable within one year:	
Bonds and contracts payable	30,000
Portion due or payable after one year:	
Bonds and contracts payable	<u>330,000</u>
<b>Total liabilities</b>	<b><u>360,958</u></b>

**NET ASSETS**

Invested in capital assets, net of related debt	87,200
Restricted for:	
Prepaid expenditures	20,368
Unrestricted	<u>634,851</u>
<b>Total net assets</b>	<b><u>\$ 742,419</u></b>

The accompanying notes are an integral part of these financial statements.



**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended March 31, 2005**

Activities:	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General Government:					
Township board	\$ 19,822	\$ -	\$ -	\$ -	\$ (19,822)
Supervisor	23,401	-	-	-	(23,401)
Treasurer	28,238	-	-	-	(28,238)
Assessing	19,817	-	-	-	(19,817)
Clerk	22,553	-	-	-	(22,553)
Board of review	2,405	-	-	-	(2,405)
Buildings and grounds	32,039	-	-	-	(32,039)
All other general government	47,984	-	-	-	(47,984)
Fire protection	37,367	-	-	-	(37,367)
Building inspection and regulation activities	36,239	45,240	-	-	9,001
Roads	35,909	1,507	-	-	(34,402)
Water system	39,484	-	-	-	(39,484)
Street lights	7,326	-	-	-	(7,326)
Sanitation, solid waste	24,540	10,724	-	-	(13,816)
Planning and zoning	11,923	-	-	-	(11,923)
Library	9,410	-	-	-	(9,410)
Interest and fiscal charges	21,656	-	-	-	(21,656)
<b>Total governmental activities</b>	<b>\$ 420,113</b>	<b>\$ 57,471</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(362,642)</b>
General revenues:					
Property taxes, levied for general purposes					199,337
State revenue sharing					157,051
Interest earnings					6,780
Rents and royalties					5,645
Miscellaneous					4,011
Total general revenues					372,824
Change in net assets					10,182
Net assets-beginning					732,237
Net assets-ending					<b>\$ 742,419</b>

The accompanying notes are an integral part of these financial statements.

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
GOVERNMENTAL FUNDS BALANCE SHEET  
March 31, 2005**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 219,154	\$ 399,465	\$ 618,619
Taxes and fees receivable	6,484	9,886	16,370
Due from other funds	85,894	137	86,031
Prepaid items	18,801	1,567	20,368
<b>Total assets</b>	<u><u>\$ 330,333</u></u>	<u><u>\$ 411,055</u></u>	<u><u>\$ 741,388</u></u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>Liabilities:</b>			
Accrued expenses	\$ 954	\$ 4	\$ 958
Due to other funds	-	85,211	85,211
Total liabilities	<u>954</u>	<u>85,215</u>	<u>86,169</u>
<b>Fund Equity:</b>			
Fund balance:			
Reserved for prepaid expenditures	18,801	1,567	20,368
Unreserved and undesignated	310,578	324,273	634,851
Total fund balances	<u>329,379</u>	<u>325,840</u>	<u>655,219</u>
<b>Total liabilities and fund equity</b>	<u><u>\$ 330,333</u></u>	<u><u>\$ 411,055</u></u>	<u><u>\$ 741,388</u></u>

The accompanying notes are an integral part of these financial statements.



**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
March 31, 2005**

Total fund balances for governmental funds (Exhibit 3)	\$	655,219
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	80,000	
Buildings and improvements		195,000	
Equipment		1,800	
Vehicles		<u>170,400</u>	
Total capital assets			447,200

Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Balances at March 31, 2005 are:

Revenue bonds, dated October 17, 1991	\$	(255,000)	
Midland County water supply system bonds, dated June 1, 1996		<u>(105,000)</u>	
			<u>(360,000)</u>

Total net assets of governmental activities (Exhibit 1)	\$	<u><u>742,419</u></u>
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The accompanying notes are an integral part of these financial statements.

**LINCOLN TOWNSHIP**  
**MIDLAND COUNTY, MICHIGAN**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**For the Year Ended March 31, 2005**

	General Fund	Special Revenue Funds	Total
<b>REVENUES</b>			
Tax Collections	\$ 81,739	\$ 117,598	\$ 199,337
State aid	157,051	-	157,051
Charges for services	30,778	-	30,778
Interest and dividends	2,607	4,173	6,780
Rents and royalties	5,645	-	5,645
Licenses and permits	13,842	2,127	15,969
Trailerpark fees	1,049	-	1,049
Court fees	300	-	300
Zoning	60	-	60
Landfill revenue	10,724	-	10,724
Miscellaneous	2,602	-	2,602
<b>Total revenues</b>	<b>306,397</b>	<b>123,898</b>	<b>430,295</b>
<b>EXPENDITURES</b>			
General Government:			
Towship board	19,822	-	19,822
Supervisor	23,401	-	23,401
Treasurer	28,238	-	28,238
Assessing	19,817	-	19,817
Clerk	22,553	-	22,553
Board of review	2,405	-	2,405
Buildings and grounds	17,039	-	17,039
All other general government	45,031	1,853	46,884
Public Safety:			
Fire protection	-	24,487	24,487
All other public safety activities	36,239	-	36,239
Public Works:			
Roads	35,909	-	35,909
Landfill	24,540	-	24,540
Street lights	7,326	-	7,326
Water district charges	-	39,484	39,484
Community Development:			
Planning and zoning	11,923	-	11,923
Recreation and Culture:			
Library	9,410	-	9,410
Capital Outlay	2,100	-	2,100
Debt Service			
Principal payments	-	30,000	30,000
Interest payments	-	21,656	21,656
<b>Total expenditures</b>	<b>305,753</b>	<b>117,480</b>	<b>423,233</b>
Net change in fund balances	644	6,418	7,062
Fund balances-beginning	328,735	319,422	648,157
<b>Fund balances-ending</b>	<b>\$ 329,379</b>	<b>\$ 325,840</b>	<b>\$ 655,219</b>

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUE,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
For the Year Ended March 31, 2005**

Net change in fund balances - total governmental funds (Exhibit 4)	\$	7,062
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,100) exceeded depreciation (\$28,980) in the current period.		(26,880)
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Bond proceeds and capital leases are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Revenue bonds	15,000	
Water supply system bonds	15,000	
		30,000

Change in net assets of governmental activities (Exhibit 2)	\$	10,182
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The accompanying notes are an integral part of these financial statements.



**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
STATEMENT OF NET ASSETS  
FIDUCIARY FUND  
March 31, 2005**

**ASSETS**

Cash and cash equivalents  
Total assets

	<b>Tax Collection</b>
\$	820
	<u>820</u>

**LIABILITIES**

Due to other funds  
Total liabilities

	<u>820</u>
	<u>820</u>

**NET ASSETS**

\$	<u><u>-</u></u>
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The accompanying notes are an integral part of these financial statements.

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Lincoln Township (the "Township") conform to generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**A. Reporting Entity**

Lincoln Township was organized prior to 1900 and covers an area of approximately 24 square miles. The Township is governed by an elected five-member board. The Township provides services to its various residents in many areas, including general government, public safety, public works recreation and culture.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

**C. Assets, Liabilities, and Net Assets**

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

All receivables are shown net of allowance for uncollectible accounts, if any.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets. Capital assets are defined by their government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Equipment	3-5 years
Vehicles	25 years

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance

The Township reports reservations of its fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Compensated Absences

The Township does not have any vacation, sick time or other benefits, which meet the requirements for recording compensated absences. Accordingly, no liability has been recorded for compensated absences.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The Township does not follow encumbrance accounting. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the fund level.

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
Supervisor	\$ 23,103	\$ 23,401
Clerk	18,412	22,553
Buildings and grounds	9,750	17,039
All other public safety activities	10,225	36,239
Capital outlay	-	2,100

**NOTE 3. DEPOSITS AND CASH EQUIVALENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board of Trustees has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all the instruments listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

The carrying amounts and bank balances of the Township's deposits at March 31, 2005 total \$618,619, of which \$100,000 is covered by federal deposit insurance.

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 4. CAPITAL ASSETS**

Capital asset activity of the Township for the current year was as follows:

<b>Governmental Activities</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,000</u>
Capital Assets Being Depreciated				
Buildings and improvements	600,000	-	-	600,000
Equipment	111,200	2,100	-	113,300
Vehicles	<u>322,000</u>	<u>-</u>	<u>-</u>	<u>322,000</u>
Subtotal	<u>1,033,200</u>	<u>2,100</u>	<u>-</u>	<u>1,035,300</u>
Less Accumulated Depreciation				
Buildings and improvements	390,000	15,000	-	405,000
Equipment	110,400	1,100	-	111,500
Vehicles	<u>138,720</u>	<u>12,880</u>	<u>-</u>	<u>151,600</u>
Subtotal	<u>639,120</u>	<u>28,980</u>	<u>-</u>	<u>668,100</u>
Net Capital Assets Being Depreciated	<u>394,080</u>	<u>26,880</u>	<u>-</u>	<u>367,200</u>
Governmental Activities Capital Assets—Net of Depreciation	<u>\$ 474,080</u>	<u>\$ 26,880</u>	<u>\$ -</u>	<u>\$ 447,200</u>

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 5. LONG TERM DEBT**

The following is a summary of long-term debt of Lincoln Township for the year ended March 31, 2005:

<u>Long-Term Debt</u>	<u>04/01/2004</u>	<u>Additions (Reductions)</u>	<u>03/31/2005</u>
Revenue Bonds, dated October 17, 1991 in the amount of \$330,000; due in annual payments of \$5,000 to \$25,000 beginning November 1, 1991, plus interest ranging from 4.7% to 6.88%.	\$ 270,000	\$ (15,000)	\$ 255,000
Midland County Water Supply System Bonds dated June 1, 1996 in the amount of \$200,000; due in annual payments of \$10,000 to \$15,000 beginning May 1, 1997, plus interest ranging from 4.4% to 5.75%.	<u>120,000</u>	<u>(15,000)</u>	<u>105,000</u>
Total Long-Term Debt	<u>\$ 390,000</u>	<u>\$ (30,000)</u>	<u>\$ 360,000</u>

The annual long-term debt requirement of the Township for each of the five years following the balance sheet date are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
3/31/2006	\$ 30,000	\$ 22,991	\$ 52,991
3/31/2007	30,000	21,143	51,143
3/31/2008	30,000	19,286	49,286
3/31/2009	35,000	17,423	52,423
3/31/2010	35,000	15,204	50,204
3/31/2011-2016	<u>200,000</u>	<u>49,503</u>	<u>249,503</u>
	<u>\$ 360,000</u>	<u>\$ 145,550</u>	<u>\$ 505,550</u>



**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 6. SIMPLIFIED EMPLOYEE PENSION PLAN**

The Township participates in the Municipal Retirement System, Inc., under the Michigan Township Participating Plan. This is a defined contribution money purchase pension plan covering substantially all employees and is administered by an insurance company. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount contributed to the participant's account and on returns earned on investments on those contributions.

The township contributes 7% of covered employees' annual compensation. Each employee also contributes 7% of his or her annual compensation. Contributions to the plan are funded in advance each December based on estimated annual employee compensation amounts for the following year. Any unearned advance contributions are refunded and any additional contributions due are paid when actual compensation amounts are submitted to the plan administrator at the close of the plan year. In accordance with these requirements, the Township contributed \$8,889 during the current year.

**NOTE 7. INTERFUND RECEIVABLES AND PAYABLES**

The amounts of the interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
Fire fund	\$ 137	Fire fund	\$ 35,861
General fund	85,894	Water fund	45,962
		Liquor fund	3,388
		Tax fund	<u>820</u>
Total	<u>\$ 86,031</u>		<u>\$ 86,031</u>

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS  
March 31, 2005**

**NOTE 8. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

**NOTE 9. IMPLEMENTATION OF NEW ACCOUNTING STANDARD**

As of and for the year ended March 31, 2005, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; financial statements prepared using the economic resources measurement focus and the accrual basis of accounting; and adjustments to reconcile modified accrual financial statements to full accrual financial statements.

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended March 31, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Tax Collections	\$ 80,900	\$ 80,900	\$ 81,739	\$ 839
State aid	155,000	155,000	157,051	2,051
Charges for services	23,600	23,600	30,778	7,178
Interest and dividends	2,000	2,000	2,607	607
Rents and royalties	700	700	5,645	4,945
Licenses and permits	-	-	13,842	13,842
Trailerpark fees	5,200	5,200	1,049	(4,151)
Court fees	-	-	300	300
Zoning	-	-	60	60
Landfill revenue	10,500	10,500	10,724	224
Miscellaneous	4,400	4,400	2,602	(1,798)
<b>Total revenues</b>	<b>282,300</b>	<b>282,300</b>	<b>306,397</b>	<b>24,097</b>
<b>EXPENDITURES</b>				
General Government:				
Towship board	33,450	33,450	19,822	13,628
Supervisor	23,103	23,103	23,401	(298)
Treasurer	28,561	28,561	28,238	323
Assessing	25,450	25,450	19,817	5,633
Clerk	18,412	18,412	22,553	(4,141)
Board of review	2,950	2,950	2,405	545
Buildings and grounds	9,750	9,750	17,039	(7,289)
All other general government	112,500	112,500	45,031	67,469
Public Safety:				
All other public safety activities	10,225	10,225	36,239	(26,014)
Public Works:				
Roads	45,000	45,000	35,909	9,091
Landfill	25,850	25,850	24,540	1,310
Street lights	11,000	11,000	7,326	3,674
Community Development:				
Planning and zoning	56,550	56,550	11,923	44,627
Recreation and Culture:				
Library	10,000	10,000	9,410	590
Capital Outlay	-	-	2,100	(2,100)
<b>Total expenditures</b>	<b>412,801</b>	<b>412,801</b>	<b>305,753</b>	<b>107,048</b>
<b>Net change in fund balances</b>	<b>(130,501)</b>	<b>(130,501)</b>	<b>644</b>	<b>(131,145)</b>
Fund balances-beginning	328,735	328,735	328,735	-
<b>Fund balances-ending</b>	<b>\$ 198,234</b>	<b>\$ 198,234</b>	<b>\$ 329,379</b>	<b>\$ (131,145)</b>

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
March 31, 2005**

	<u>Fire Fund</u>	<u>Water Fund</u>	<u>Liquor Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 162,857	\$ 197,607	\$ 39,001	\$ 399,465
Taxes and fees receivable	4,943	4,943	-	9,886
Due from other funds	137	-	-	137
Prepaid items	1,474	-	93	1,567
<b>Total assets</b>	<b><u>\$ 169,411</u></b>	<b><u>\$ 202,550</u></b>	<b><u>\$ 39,094</u></b>	<b><u>\$ 411,055</u></b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Accrued expenses	\$ -	\$ -	\$ 4	\$ 4
Due to other funds	35,861	45,962	3,388	85,211
Total liabilities	<u>35,861</u>	<u>45,962</u>	<u>3,392</u>	<u>85,215</u>
<b>Fund Equity:</b>				
Fund balance:				
Reserved for prepaid expenditures	1,474	-	93	1,567
Unreserved and undesignated	132,076	156,588	35,609	324,273
Total fund balances	<u>133,550</u>	<u>156,588</u>	<u>35,702</u>	<u>325,840</u>
<b>Total liabilities and fund equity</b>	<b><u>\$ 169,411</u></b>	<b><u>\$ 202,550</u></b>	<b><u>\$ 39,094</u></b>	<b><u>\$ 411,055</u></b>

The accompanying notes are an integral part of these financial statements.

**LINCOLN TOWNSHIP  
MIDLAND COUNTY, MICHIGAN  
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - SPECIAL REVENUE FUNDS  
For the Year Ended March 31, 2005**

	Fire Fund	Water Fund	Liquor Fund	Total
<b>REVENUES</b>				
Tax Collections	\$ 58,799	\$ 58,799	\$ -	\$ 117,598
Interest and dividends	2,521	1,492	160	4,173
Licenses and permits	-	-	2,127	2,127
<b>Total revenues</b>	<u>61,320</u>	<u>60,291</u>	<u>2,287</u>	<u>123,898</u>
<b>EXPENDITURES</b>				
General Government:				
All other general government	-	-	1,853	1,853
Public Safety:				
Fire protection	24,487	-	-	24,487
Public Works:				
Water district charges	-	39,484	-	39,484
Debt Service				
Principal payments	-	30,000	-	30,000
Interest payments	-	21,656	-	21,656
<b>Total expenditures</b>	<u>24,487</u>	<u>91,140</u>	<u>1,853</u>	<u>117,480</u>
Net change in fund balances	36,833	(30,849)	434	6,418
Fund balances-beginning	<u>96,717</u>	<u>187,437</u>	<u>35,268</u>	<u>319,422</u>
<b>Fund balances-ending</b>	<u><u>\$ 133,550</u></u>	<u><u>\$ 156,588</u></u>	<u><u>\$ 35,702</u></u>	<u><u>\$ 325,840</u></u>

The accompanying notes are an integral part of these financial statements.



June 23, 2005

Members of the Township Board  
of Trustees  
Lincoln Township  
Midland County, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Lincoln Township, for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

#### **REPORTABLE CONDITIONS (MATERIAL WEAKNESSES)**

##### **Periodic Financial Reports**

As described in the *Uniform Accounting Procedures Manual* for Counties and Local Units of Government in Michigan, legislative bodies must be provided periodic financial reports from the Clerk and Treasurer. The required periodic reports and suggested frequency should include the following:

##### **Treasurer**

- Summary report of cash activity by fund (monthly).
- Summary report of cash activity by bank account, certificate of deposit and investment account (monthly).

##### **Clerk or Accounting or Controller or Finance Department**

- Balance sheet by fund (monthly).
- Detail revenue by fund - budget to actual (monthly).
- Detail expenditures by fund - budget to actual (monthly).
- List of bills to be approved for payment (each meeting).
- Separate list of bills paid prior to approval pursuant to a council approved policy (each meeting).



### **Periodic Financial Reports (Continued)**

The Clerk and Treasurer do not provide the Township Board of Trustees with the required reports. These reports will assist the board members in determining whether the financial activity of the various funds is within the adopted budgets, the sufficiency of the cash balances to meet the needs of the current period, and whether there is sufficient cash available to cover unforeseen expenditures, etc.

### **General Ledger**

The general ledger is the primary record of the Township and should reflect all financial activity. In accordance with State Treasury accounting procedures, it is the Clerk's responsibility to monitor and maintain the general ledger for the Township. During our audit, we found it necessary to make several adjusting entries to the March 31, 2005 general ledger, created by the Treasurer.

We recommend that the Township's general ledger be monitored each month by the Clerk as mentioned in the above comment.

### **Appropriations in Budgetary Funds**

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of the amount appropriated in the General Fund.

We recommend the modified accrual basis of accounting be considered when adopting and amending the budget of the Township's governmental type funds. The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes. This will help prevent the Township from incurring expenditures in excess of appropriations.

### **OTHER MATTERS**

The following items, although not considered reportable conditions, are matters we believe worthy of your consideration.

#### **Fire Bank Accounts**

Inquiries during our audit indicated the firemen have two bank accounts that are not controlled by the Township's Treasurer. The State of Michigan does not allow a local unit to operate a bank account independent of the local unit treasurer. Additionally, the treasurer must receive and deposit all local unit money and pay out the money on proper order. We recommend the bank accounts be closed and the remaining monies be forwarded to the Township's Treasurer.

### **Financial Oversight**

The general limitations in any smaller municipalities like Lincoln Township requires that the Township Board of Trustee members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. Our comment here is intended to emphasize the importance of this oversight.

### **Budget Presentation**

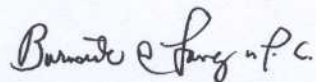
The State of Michigan issued a Uniform Budget Manual in August 2001 and Numbered Letter 2001-2, Budget Requirements, in December 2001. The two documents describe the format that must be followed in the presentation and adoption of a budget for a local governmental unit. The Township's 2005 budget did not conform to the prescribed format. Therefore, we recommend the Township Supervisor study the two documents noted above and follow the prescribed format for all future budgets of the Township.

### **Conclusion**

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the March 31, 2005, financial statements, and this report does not affect our report on those financial statements dated June 23, 2005. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Township Board, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



**BURNSIDE & LANG, P.C.**